

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
FINANCIAL STATEMENTS
FEBRUARY 28, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF LEONARD	County OAKLAND
Fiscal Year End 02-28-06	Opinion Date 01-15-07	Date Audit Report Submitted to State 01-31-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) MICHAEL H DEVRIES, CPA		Telephone Number 248.628.9200		
Street Address 837 SOUTH LAPEER ROAD		City OXFORD	State MI	Zip 48371
Authorizing CPA Signature 		Printed Name MICHAEL H DEVRIES		License Number 6739

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Leonard
Leonard, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information and account group of the Village of Leonard (hereinafter, the Village), Oakland County, Michigan, as of and for the year ended February 28, 2006, as listed in the table of contents, which collectively comprise a portion of the Village's basic financial statements required by accounting principals generally accepted in the United States of America. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund balances at March 1, 2005; therefore, we are unable to express an opinion on the accompanying changes in fund balances.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and management's discussion and analysis as required by GASB 34. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported on government-wide financial statements for the Village's activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village, as of February 28, 2006, or the changes in its financial position, where applicable, for the year then ended.

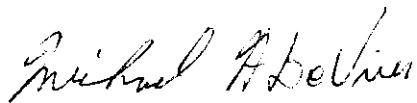
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Village Council
Village of Leonard
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Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental financial information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respect in relation to the general purpose financial statements taken as a whole.



Michael H. DeVries
Certified Public Accountant

Oxford, Michigan
January 15, 2007

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 28, 2006

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
<u>ASSETS</u>				
Cash in Bank - Checking	\$ 34,839	\$ 33,101	\$ -	\$ 67,940
Accounts Receivable	2,428	-	-	2,428
Taxes Receivable	6,594	-	-	6,594
Due from State of Michigan	3,996	6,875	-	10,871
Due from Major Street Fund	18,151	7,500	-	25,651
Due from Local Street Fund	15,945	-	-	15,945
Due from County	5,930	-	-	5,930
Fixed Assets	-	-	255,127	255,127
<u>Total Assets</u>	<u>\$ 87,883</u>	<u>\$ 47,476</u>	<u>\$ 255,127</u>	<u>\$ 390,486</u>
<u>LIABILITIES AND FUND BALANCE</u>				
<u>Liabilities</u>				
Inspectors and Bonds Payable	\$ 5,025	\$ -	\$ -	\$ 5,025
Deferred Revenue	654	-	-	654
Due to General Fund	-	34,096	-	34,096
Due to Local Street Fund	-	7,500	-	7,500
Payroll Taxes Payable	-	-	-	-
Property Taxes Payable - ITT	5,400	-	-	5,400
Accounts Payable	1,794	2,778	-	4,572
<u>Total Liabilities</u>	<u>12,873</u>	<u>44,374</u>	<u>-</u>	<u>57,247</u>
<u>Fund Balance</u>				
Investment in General Fixed Assets	-	-	255,127	255,127
Fund Balance	75,010	3,102	-	78,112
<u>Total Fund Balance</u>	<u>75,010</u>	<u>3,102</u>	<u>255,127</u>	<u>333,239</u>
<u>Total Liabilities and Fund Balance</u>	<u>\$ 87,883</u>	<u>\$ 47,476</u>	<u>\$ 255,127</u>	<u>\$ 390,486</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<u>REVENUES</u>			
Taxes	\$ 75,466	\$ -	\$ 75,466
State Revenue Sharing	26,067	38,109	64,176
Community Development Block Grant	4,580	-	4,580
Other	2,208	-	2,208
Interest	1,813	599	2,412
Rental	27,637	-	27,637
Licenses and Permits	16,297	-	16,297
<u>Total Revenues</u>	<u>154,068</u>	<u>38,708</u>	<u>192,776</u>
<u>EXPENDITURES</u>			
Legislature	2,250	-	2,250
Executive	2,850	-	2,850
Elections	-	-	-
General Service Administration	67,161	3,750	70,911
Sanitation	16,435	-	16,435
Highways, Streets and Bridges	5,061	47,427	52,488
Building and Grounds	29,962	-	29,962
<u>Total Expenditures</u>	<u>123,719</u>	<u>51,177</u>	<u>174,896</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers In	-	15,000	15,000
Operating Transfers (Out)	(7,500)	(7,500)	(15,000)
<u>Total Other Financing Sources (Uses)</u>	<u>(7,500)</u>	<u>7,500</u>	<u>-</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>22,849</u>	<u>(4,969)</u>	<u>17,880</u>
<u>FUND BALANCE - March 1, 2005</u> (Unaudited)	<u>52,161</u>	<u>8,071</u>	<u>60,232</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 75,010</u>	<u>\$ 3,102</u>	<u>\$ 78,112</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	General Fund			Special Revenue Fund Types		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Taxes	\$ 72,000	\$ 75,466	\$ 3,466	\$ -	\$ -	\$ -
State Revenue Sharing	32,000	26,067	(5,933)	41,600	38,109	(3,491)
Community Development Block Grant	5,000	4,580	(420)	-	-	-
Interest - Delinquent Taxes	-	495	495	-	-	-
Other	1,300	2,208	908	-	-	-
Interest	100	1,318	1,218	230	599	369
Rental	15,500	27,637	12,137	-	-	-
Licenses and Permits	17,000	16,297	(703)	-	-	-
Total Revenues	142,900	154,068	11,168	41,830	38,708	(3,122)
EXPENDITURES						
Legislature	2,500	2,250	250	-	-	-
Executive	4,000	2,850	1,150	-	-	-
Elections	1,000	-	1,000	-	-	-
General Service Administration	86,615	67,161	19,454	3,800	3,750	50
Sanitation	16,435	16,435	-	-	-	-
Highways, Streets and Bridges	6,380	5,061	1,319	43,175	47,427	(4,252)
Building and Grounds	30,085	29,962	123	-	-	-
Total Expenditures	147,015	123,719	23,296	46,975	51,177	(4,202)
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	-	-	-	7,500	15,000	7,500
Operating Transfers (Out)	-	(7,500)	(7,500)	(7,500)	(7,500)	-
Total Other Financing Sources (Uses)	-	(7,500)	(7,500)	-	7,500	7,500
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,115)	22,849	26,964	(5,145)	(4,969)	176
FUND BALANCE - March 1, 2005 (Unaudited)	52,161	52,161	-	8,071	8,071	-
FUND BALANCE - February 28, 2006	\$ 48,046	\$ 75,010	\$ 26,964	\$ 2,926	\$ 3,102	\$ 176

See accompanying notes to financial statements

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 28, 2006**

(1) SUMMARY OF ACCOUNTING POLICIES

The financial statements of the Village of Leonard (hereinafter, the Village) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units, except for complying with GASB #34. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

In accordance with GAAP and GASB Statement No. 14 "The Financial Reporting Entity", these financial statements present the Combined Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balance, of the Village. This meets the minimum requirements of the Michigan Department of Treasury.

B. ORGANIZATION

The Village was incorporated January 10, 1889, and then reincorporated April 27, 1893, under the provisions of Act. 62. The Village operates a Council - President form of government and provides the following services as authorized by its charter, but not limited to: public safety, highways and streets, planning and zoning, and general administrative services.

The accounting policies of the Village conform to generally accepted accounting principles as applicable to governments.

C. BASIS OF PRESENTATION

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are reporting devices to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and account groups, categorized as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are primarily derived from property taxes, state revenue sharing and charges for services.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Account Group

The General Fixed Assets Account Group presents the fixed assets the Village utilizes in its operations. Fixed assets used in the general operation of the Village are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets.

D. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to revenues and expenditures that are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General Fund and Special Revenue) use a financial resource measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded under the modified accrual basis of accounting when the fund liability is incurred, if measurable. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

The major sources of revenue are property taxes and state and federal revenue sharing.

E. FIXED ASSETS

General fixed assets purchased are recorded as expenditures in the General Fund at the time of purchase. Such assets are capitalized in the General Fixed Assets Group of Accounts. No depreciation is provided on General Fixed Assets.

F. BUDGET AND BUDGETARY ACCOUNTING

The following procedures are instituted by the Village in establishing the budgetary data reflected in the financial statements:

1. In December, a list of expenses incurred to date is drawn up by the Treasurer.
2. The Village president then utilizes the above mentioned list to prepare the upcoming budget.
3. At the February meeting the budget is formally presented to the Council, and is then open for a public hearing. After all discussions have been completed, the Council gives approval to the final budget.
4. The budget is legally enacted on a functional activity basis through passage of a resolution, and in accordance with Public Act 621 of the State of Michigan.
5. No Village Council member or employee of the Village shall expend any funds or obligate the expenditures of any funds except pursuant to appropriations made by the Village Council and in keeping with the budgetary policy statement hitherto adopted by the Council. Changes in the amount appropriated by the Council shall require approval by the Council.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP.

G. GENERAL FIXED ASSETS

Fixed assets used in governmental fund type operations (General Fixed Assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds.

A General Fixed Assets Group of Accounts was initiated February 29, 1976. Because historical facts were unknown in several instances, an appraisal was used for the asset basis where cost could not be determined. Although the total does not represent true costs, it is a fair representation of the general fixed assets owned by the Village. All acquisitions subsequent to February 29, 1976 are being recorded at cost. There was one exception on November 21, 1994. The Village acquired the Rowland Hall from Addison Township for \$1. It was recorded in the General Fixed Assets Group for \$60,000, which is the insured value. No depreciation has been provided on the General Fixed Assets Group.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets, consisting of certain improvements other than buildings, including roads, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems, are not recorded.

The account group is not "funds". It is concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

H. TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the Combined Statements - Overview are captioned, Memorandum Only, to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

I. INVESTMENTS

Investments are stated at cost or amortized cost, which approximates market.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(2) PROPERTY TAXES AND SPECIAL ASSESSMENTS

Property taxes attach an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable by August 31. The Village bills and collects its own property tax revenues; they are recognized when levied, to the extent that they are measurable and available.

Available means, due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough to pay (liquidate) current liabilities after year end. The available period might extend beyond the GASB 1 requirement of 60 days because of the length in time required from the time the Village turns its delinquent real property taxes over to the county (March 1) and the time the county makes their revolving fund payment, usually within 90 days.

As of February 28, 2006, the Village has recorded a delinquent property tax receivable of \$6,594, which is classified as Taxes Receivable within the financial statements. The following is a detail of Taxes Receivable and Deferred Revenue:

	Taxes Receivable	Deferred Revenue
2005 Tax Roll Revolving Payment	\$ 5,940	\$ -
2005 Delinquent Real Property	42	42
2005 Delinquent Personal Property	282	282
2004 Delinquent Personal Property	187	187
2003 Delinquent Personal Property	143	143
	<u>\$ 6,594</u>	<u>\$ 654</u>

(3) CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in General Fixed Assets follows:

	Balance February 29, 2004	Additions	Deletions	Balance February 28, 2006
Land	\$ 19,996	\$ -	\$ -	\$ 19,996
Building	130,678	-	-	130,678
Police Equipment	1,927	-	-	1,927
Office Equipment	7,178	1,290	-	8,468
Machinery and Equipment	120,007	280	(26,229)	94,058
Investment in General Fixed Assets	<u>\$ 279,786</u>	<u>\$ 1,570</u>	<u>\$ (26,229)</u>	<u>\$ 255,127</u>

(4) DUE FROM STATE

The Due from State in the General Fund of \$3,996 represents the first quarter distribution of Sales, Income and Single Business Tax. The distributions were not deposited until after February 28, 2006. The Due from State in the Special Revenue Funds of \$6,875 represents Act 51 funds. This amount was deposited in March, 2006.

(5) ACCOUNTS RECEIVABLE

The Accounts Receivable of \$2,428 in the General Fund represents \$425 Rowland Hall Rental, \$834 cable fee and \$1,169 for engineering for Leonard Country Mill.

(6) DUE TO COUNTY

On March 11, 2003 the Village received notice that ITT Automotive received a favorable judgment through the Michigan tax tribunal. This judgment covered the tax years of 1996 through 2001. The total judgment amount including interest was \$41,751. The Village was unable to pay the entire amount in whole. Arrangements were made with the County to pay the amount over a period of time with interest. At February 28, 2006 \$0 is still owed.

(7) ITT AUTOMOTIVE PROPERTY TAX PAYABLE

Due to the above mentioned Michigan tax tribunal decision, the 2002 tax roll personal property for ITT Automotive was overpaid by \$4,870. This amount has not been repaid. At February 28, 2006 the total amount owed is \$5,400, which includes an estimated interest amount of \$530.

(8) OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the Combined Statements - Overview of certain information concerning individual funds including:

- A. Summary disclosures of changes in general fixed assets by major asset class. This requirement is met by Note 3.
- B. Individual fund Interfund Receivable and Payable balances. Such balances at February 28, 2006 were:

	Interfund Receivable	Interfund Payable
General Fund:		
Major Street Fund	\$ 18,151	\$ -
Local Street Fund	15,945	-
Special Revenue Funds:		
Major Street Fund:		
General Fund	-	18,151
Local Street Fund	-	7,500
Local Street Fund:		
Major Street Fund	7,500	-
General Fund	-	15,945
	<u>\$ 41,596</u>	<u>\$ 41,596</u>

(9) CASH AND INVESTMENTS

The captions on the Combined Balance Sheet relating to cash, certificates of deposit, and investments are as follows:

Cash on Hand and in Bank \$67,940

The above amounts are classified by GASB statement No. 3 in the following categories:

Summary of:	
Specific Accounts:	
Checking Account	<u>\$67,940</u>

These funds are in one financial institution located in Oakland County. All accounts are in the name of the Village. They are recorded in the Village's records at cost. Interest is recorded when earned.

STATUTORY AUTHORITY

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations, bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of governments in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank for the deposit of the Village's funds. The Village has adopted an investment policy in accordance with P.A. 196 of 1997. The Village has funds invested in bank checking accounts.

The Village's deposits and investments are in accordance with statutory authority.

Michigan law (section 3, Act 40, P.A. 1932, as amended) prohibits security in the form of collateral, surety bond, or any other form for the deposit of public money.

We estimate that approximately 100% of the Village's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We are unable to be specific due to the complexity of FDIC Regulation number 330.8. This regulation in summary provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 in every financial institution that is not a branch location that is a member of the FDIC in the following deposit accounts.

1. All demand, non-interest bearing accounts (checking) in the name of the authorized or statutory custodian (treasurer) of public funds.
2. All savings deposits which include regular passbook, daily interest savings and time certificates of deposit in the name of the governmental unit's custodian.
3. The demand and savings accounts as defined in items 1 and 2 above for those bank accounts, in the name of a specific fund, when all of the following criteria is applicable:
 - a. The fund is created by a specific state statute
 - b. The functions of the fund are specified by state statute
 - c. Money is allocated by state statute for the exclusive use of that fund and statutory function.

	<u>Per Institution</u>	<u>Per Books</u>	<u>Insured FDIC</u>	<u>Uninsured</u>
Oxford Bank:				
General Fund	\$ 35,280	\$ 34,839	\$ 35,280	\$ -
Major Street Fund	34,470	22,564	34,470	-
Local Street Fund	10,585	10,537	10,585	-
	<u>\$ 80,335</u>	<u>\$ 67,940</u>	<u>\$ 80,335</u>	<u>\$ -</u>

In accordance with GASB Statement 3, investments are classified into three categories of credit risk as follows:

Category 1: Insured or collateralized with securities held by the entity or its agents in the entity's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3: Uncollateralized (includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the name of the entity).

Investment Type:

	(1)	(2)	(3)
Risk - Categorized			
Cash Equivalents	\$ 80,335	\$ -	\$ -
Total Risk - Categorized	<u>\$ 80,335</u>	<u>\$ -</u>	<u>\$ -</u>
Investments			

(10) RELATED-PARTY TRANSACTIONS

GASB Codification Sec. 2300.107 requires that governmental entities disclose related-party transactions. FASB Statement No. 57 defines a related party as:

...principal owners of the enterprise; its management; members of the immediate family of principal owners of the enterprise and its management; and other parties with which the enterprises may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties may be prevented from fully pursuing its own separate interests. Another party is also related if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests.

Based on the above definition of related parties, the Village had two incidences of a related transaction as follows:

- A. The spouse of the treasurer was employed by the Village. The maximum amount this person received was \$10,659.

- B. The father of the clerk sold gravel to the Village. The maximum amount he received was \$511.

(11) EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

Michigan Public Act 2 of 1968, as amended, the "Uniform Budgeting and Accounting Act" provides that a local unit shall not incur expenditures in excess of the amount appropriated (Section 18 [1]). In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted on the functional activity level. The Council amended the budget during the year, with a final amendment made on March 20, 2006.

For the year ended February 28, 2006 the Village incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated. The following is a comparison of the Village's adopted budget as compared to actual expenditures:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund:			
Transfer to Major Street Fund	\$ -	\$ 7,500	\$ (7,500)
Major Street Fund:			
Snow and Ice Control	15,217	20,363	(5,146)
Local Street Fund:			
Routine Maintenance	6,983	7,084	(101)
Snow and Ice Control	3,542	4,984	(1,442)

(12) RISK MANAGEMENT

The Village carries commercial insurance primarily for protection from personal property loss, theft, personal injury torts, errors and omissions, and employee injuries. For the three previous years, commercial insurance claims have not exceeded the amount of coverage as provided for by the policy. There was no reduction in coverage obtained through commercial insurance during the past year.

(13) NON-COMPLIANCE

The Village failed to amend their budget when expenditures exceeded budgeted amounts as discussed in Note (1) F.

(14) GASB 34

The Village chose not to adopt GASB 34, which is required by GAAP. This departure from GAAP is also noted in the Independent Auditor's Report.

(15) SUBSEQUENT EVENT

On September 8, 2006, the Village submitted an Environmental Infrastructure Fund Grant reimbursement request to Oakland County in the amount of \$7,325. The request was sent to the wrong Department. As of the date of this report, January 15, 2007, the county had not yet decided if the request of \$7,325 would be reimbursed.

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Current Taxes	\$ 72,000	\$ 75,466	\$ 3,466
Interest Income	100	1,318	1,218
State Revenue Sharing	32,000	24,187	(7,813)
Metro Authority Maintenance	-	1,880	1,880
Community Development Block Grant	5,000	4,580	(420)
Interest on Delinquent Taxes	-	495	495
Rental of Equipment	13,500	24,962	11,462
Hall Rental	2,000	2,675	675
Miscellaneous	1,200	2,208	1,008
Permits and Fines	12,000	13,255	1,255
Zoning and Bonds	3,000	1,625	(1,375)
Franchise Fee	2,000	1,417	(583)
Refunds and Reimbursements	100	-	(100)
<u>Total Revenues</u>	<u>142,900</u>	<u>154,068</u>	<u>11,168</u>
<u>EXPENDITURES</u>			
Administrative	94,115	72,261	21,854
Building and Grounds	30,085	29,962	123
Health and Sanitation	16,435	16,435	-
Other Street Services	6,380	5,061	1,319
<u>Total Expenditures</u>	<u>147,015</u>	<u>123,719</u>	<u>23,296</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer to Major Street Fund	-	7,500	(7,500)
<u>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>(4,115)</u>	<u>22,849</u>	<u>26,964</u>
<u>FUND BALANCE - March 1, 2005</u> (Unaudited)	<u>52,161</u>	<u>52,161</u>	<u>-</u>
<u>FUND BALANCE- February 28, 2006</u>	<u>\$ 48,046</u>	<u>\$ 75,010</u>	<u>\$ 26,964</u>

See accompanying notes to financial statements

**VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FUND**

**STATEMENT OF GENERAL FUND EXPENDITURES - COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>ADMINISTRATIVE</u>			
Wages and Per Diem			
President	\$ 4,000	\$ 2,850	\$ 1,150
Clerk	4,000	2,850	1,150
Treasurer	4,000	2,850	1,150
Trustees	2,500	2,250	250
Inspectors	14,422	11,402	3,020
Administrative Assistant	7,910	7,908	2
Clerk Expenses	2,525	2,551	(26)
Employer Payroll Taxes	6,711	2,473	4,238
Treasurer Expenses	515	515	-
Telephone - Clerk	1,500	1,494	6
Auditor	175	165	10
Mileage	755	755	-
Legal	7,100	5,610	1,490
Election Expenses	1,000	-	1,000
Printing and Publishing	220	219	1
Interest Expense - Taxes	-	135	(135)
Dues, Memberships, and Seminars	224	224	-
Zoning Expenses	200	515	(315)
Planning Commission	2,200	2,193	7
Refunds	3,150	-	3,150
Insurance and Bonds	17,610	15,915	1,695
Christmas Decorations	1,400	1,313	87
Miscellaneous	50	134	(84)
Community Beautification	100	-	100
Custodian and Opening/Closing Fee	3,630	3,360	270
Community Development Block Grant	5,000	4,580	420
ITT Automotive Repayment	3,218	-	3,218
<u>Total Administrative</u>	<u>\$ 94,115</u>	<u>\$ 72,261</u>	<u>\$ 21,854</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF GENERAL FUND EXPENDITURES - COMPARED TO BUDGET
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>BUILDING AND GROUNDS</u>			
Utilities	\$ 9,104	\$ 9,074	\$ 30
Equipment Maintenance	7,332	7,381	(49)
Garage Maintenance and Pole Barn	450	442	8
Gasoline, Oil, Diesel and Grease	3,209	3,362	(153)
New Equipment and Truck Interest	750	732	18
Hall Expenses	3,158	3,156	2
General Labor	3,658	3,657	1
Alley Upkeep	174	-	174
Fire Hall Annex Building	2,250	2,158	92
<u>Total Building and Grounds</u>	<u>\$ 30,085</u>	<u>\$ 29,962</u>	<u>\$ 123</u>
<u>HEALTH AND SANITATION</u>			
Contracted Services	<u>\$ 16,435</u>	<u>\$ 16,435</u>	<u>\$ -</u>
<u>OTHER STREET SERVICES</u>			
Road Salt	\$ 500	\$ -	\$ 500
Drain - Labor and Material	2,980	2,949	31
Ramps - Labor and Material	2,500	2,112	388
Storm Clean Up	200	-	200
Sand and Gravel	200	-	200
<u>Total Other Street Services</u>	<u>\$ 6,380</u>	<u>\$ 5,061</u>	<u>\$ 1,319</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FEBRUARY 28, 2006

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Totals (Memorandum Only)</u>
<u>ASSETS</u>			
Cash in Bank - Checking	\$ 22,564	\$ 10,537	\$ 33,101
Accounts Receivable	-	-	-
Due from Major Street Fund	-	7,500	7,500
Due from State of Michigan	5,654	1,221	6,875
<u>Total Assets</u>	<u>\$ 28,218</u>	<u>\$ 19,258</u>	<u>\$ 47,476</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Accounts Payable	\$ 2,484	\$ 294	\$ 2,778
Due to General Fund	18,151	15,945	34,096
Due to Local Street Fund	7,500	-	7,500
Fund Balance	83	3,019	3,102
<u>Total Liabilities and Fund Balance</u>	<u>\$ 28,218</u>	<u>\$ 19,258</u>	<u>\$ 47,476</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	Major Street Fund	Local Street Fund	Totals (Memorandum Only)
<u>REVENUES</u>			
State Grants	\$ 31,341	\$ 6,768	\$ 38,109
Interest Income	405	194	599
<u>Total Revenues</u>	<u>31,746</u>	<u>6,962</u>	<u>38,708</u>
<u>EXPENDITURES</u>			
Administrative Costs	3,102	648	3,750
Routine Maintenance	14,144	7,084	21,228
Snow and Ice Control	20,363	4,984	25,347
Traffic Services	852	-	852
<u>Total Expenditures</u>	<u>38,461</u>	<u>12,716</u>	<u>51,177</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Other Transfers In	7,500	7,500	15,000
Other Transfers Out	(7,500)	-	(7,500)
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>7,500</u>	<u>7,500</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>(6,715)</u>	<u>1,746</u>	<u>(4,969)</u>
<u>FUND BALANCE - March 1, 2005</u> (Unaudited)	<u>6,798</u>	<u>1,273</u>	<u>8,071</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 83</u>	<u>\$ 3,019</u>	<u>\$ 3,102</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
State of Michigan - Act 51	\$ 34,000	\$ 31,341	\$ (2,659)
Interest Income	200	405	205
<u>Total Revenues</u>	<u>34,200</u>	<u>31,746</u>	<u>(2,454)</u>
<u>EXPENDITURES</u>			
Administrative Costs	3,150	3,102	48
Routine Maintenance	14,700	14,144	556
Snow and Ice Control	15,217	20,363	(5,146)
Traffic Services	2,633	852	1,781
<u>Total Expenditures</u>	<u>35,700</u>	<u>38,461</u>	<u>(2,761)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer from General Fund	-	7,500	7,500
Transfer to Local Street Fund	(7,500)	(7,500)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(7,500)</u>	<u>-</u>	<u>7,500</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</u>	<u>(9,000)</u>	<u>(6,715)</u>	<u>2,285</u>
<u>FUND BALANCE - March 1, 2005</u> (Unaudited)	<u>6,798</u>	<u>6,798</u>	<u>-</u>
<u>FUND BALANCE (Deficit) - February 28, 2006</u>	<u>\$ (2,202)</u>	<u>\$ 83</u>	<u>\$ 2,285</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
MAJOR STREET FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>EXPENDITURES</u>			
<u>Administrative Costs</u>	<u>\$ 3,150</u>	<u>\$ 3,102</u>	<u>\$ 48</u>
<u>Routine Maintenance</u>			
Labor	\$ 3,500	\$ 2,439	\$ 1,061
Grading	500	399	101
Ditches and Drains	5,000	3,203	1,797
Materials	850	222	628
Road Repair	2,000	1,291	709
Telephone	500	467	33
Equipment Rental	2,000	5,137	(3,137)
Utilities	350	312	38
Sidewalk - Non-Motorized	-	-	-
Payroll Taxes and W/C Insurance	-	717	(717)
Miscellaneous	-	(43)	43
	<u>\$ 14,700</u>	<u>\$ 14,144</u>	<u>\$ 556</u>
<u>Snow and Ice Control</u>			
Labor	\$ 4,545	\$ 4,059	\$ 486
Materials	1,500	2,544	(1,044)
Equipment Rental	9,172	13,087	(3,915)
Payroll Taxes and W/C Insurance	-	673	(673)
	<u>\$ 15,217</u>	<u>\$ 20,363</u>	<u>\$ (5,146)</u>
<u>Traffic Services</u>			
Labor	\$ -	\$ -	\$ -
Safety Equipment (Signs)	250	171	79
Pavement Marking	2,183	535	1,648
Utilities	50	36	14
Materials	150	110	40
	<u>\$ 2,633</u>	<u>\$ 852</u>	<u>\$ 1,781</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>REVENUES</u>			
State of Michigan - Act 51	\$ 7,600	\$ 6,768	\$ (832)
Interest Income	30	194	164
<u>Total Revenues</u>	<u>7,630</u>	<u>6,962</u>	<u>(668)</u>
<u>EXPENDITURES</u>			
<u>Administrative Costs</u>	<u>650</u>	<u>648</u>	<u>2</u>
<u>Routine Maintenance</u>			
Labor	800	777	23
Grading	908	792	116
Ditches and Drains	900	102	798
Materials	500	222	278
Dust Control	1,875	1,809	66
Equipment Rental	2,000	3,160	(1,160)
Payroll Taxes and W/C Insurance	-	222	(222)
	<u>6,983</u>	<u>7,084</u>	<u>(101)</u>
<u>Snow and Ice Control</u>			
Labor	1,142	1,098	44
Materials	400	104	296
Equipment Rental	2,000	3,578	(1,578)
Payroll Taxes and W/C Insurance	-	204	(204)
	<u>3,542</u>	<u>4,984</u>	<u>(1,442)</u>
<u>Traffic Services</u>			
Safety Equipment (Signs)	<u>100</u>	<u>-</u>	<u>100</u>
<u>Total Expenditures</u>	<u>11,275</u>	<u>12,716</u>	<u>(1,441)</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer to Local Street Fund	<u>7,500</u>	<u>7,500</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</u>	3,855	1,746	(2,109)
<u>FUND BALANCE - March 1, 2005</u> (Unaudited)	<u>1,273</u>	<u>1,273</u>	<u>-</u>
<u>FUND BALANCE - February 28, 2006</u>	<u>\$ 5,128</u>	<u>\$ 3,019</u>	<u>\$ (2,109)</u>

See accompanying notes to financial statements

VILLAGE OF LEONARD
OAKLAND COUNTY, MICHIGAN
GENERAL FIXED ASSETS GROUP OF ACCOUNTS
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2006

	<u>Balance 2/29/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/2006</u>
<u>ASSETS</u>				
Land	\$ 19,996	\$ -	\$ -	\$ 19,996
Building	130,678	-	-	130,678
Machinery and Equipment	120,007	280	(26,229)	94,058
Police Equipment	1,927	-	-	1,927
Office Equipment	<u>7,178</u>	<u>1,290</u>	<u>-</u>	<u>8,468</u>
<u>Investment in General Fixed Assets</u>	<u>\$ 279,786</u>	<u>\$ 1,570</u>	<u>\$ (26,229)</u>	<u>\$ 255,127</u>

See accompanying notes to financial statements



MICHAEL H. DeVRIES

CERTIFIED PUBLIC ACCOUNTANT

837 South Lapeer Road
Oxford, Michigan 48371
Telephone 248.628.9200
Fax 248.628.6107

January 15, 2007

Village Council
Village of Leonard
Leonard, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of Leonard (hereinafter, the Village) for the year ended February 28, 2006, the findings of which have been reported under separate cover, we would like to make you aware of various matters and to offer the following recommendations:

1. We would like to make the Village aware that in the future, new financial reporting requirements will be necessary as mandated by the Governmental Accounting Standards Board Statement No. 34, *"Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments."* Briefly, these new reporting procedures include (but are not limited to) preparing a management's discussion and analysis narrative report, depreciating the Village's fixed assets as well as reporting budget information at the beginning and end of the year which will allow the readers of the financial statements to assess any budget changes which have taken place during the year.
2. Pursuant to P.A. 2 of 1968 as amended, also known as the *"Uniform Budgeting and Accounting Act"*, expenditures shall not be incurred in excess of the amount appropriated. Therefore, when the Village exceeds their budgeted line item amounts the respective budgeted line item amounts should be revised accordingly, and the changes should be recorded in the minutes.
3. The interfund receivables and payables at February 28, 2006 should be resolved. Major Street Fund owes the General Fund \$18,151.11. Major Street Fund owes the Local Street Fund \$7,500.00. Local Street Fund owes the General Fund \$15,945.39.
4. In order to comply with Act 51 funding requirements, the Village must have expenditures for non-motorized improvements.
5. The Village should consider registering with the state of Michigan to obtain a payroll state withholding identification number and a Michigan Unemployment Agency number.

MEMBER

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

6. By Council resolution, the Village should make a transfer from the General Fund to eliminate any deficit in the Major or Local Street Funds due to equipment rental charges.
7. Accounts receivable from Leonard Country Mills of \$1,168.75 should be collected.
8. Delinquent personal property taxes turned over to the county for collection should be reviewed annually.
9. By Council resolution, the Village is able to transfer up to 25% of Major Street funding to the Local Street Fund. This type of transfer will end effective January 1, 2009.
10. The Village should record the actual dollar amount approved for each fund's expenditures in the minutes.
11. Accounts receivable and reimbursement requests should be followed up periodically to see that the funds were received.
12. Comment numbers 1, 2, 3, 4, 5 and 9 were mentioned in the prior year audit report. Comment numbers 1, 3, 4, 5 and 9 are not reportable conditions but are included as a reminder to consider.

We acknowledge with appreciation the cooperation we received from your members and representatives and note that nothing came to our attention in the course of our tests and reviews, in connection with any report on the financial statements to indicate any improper, illegal, or other actions.

Sincerely,



Michael H. DeVries
Certified Public Accountant